

Message Text

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PAGE 01 CANBER 07197 010905Z

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ACTION EA-10

INFO OCT-01 ISO-00 EUR-12 AID-05 CIAE-00 COME-00 EB-06

FRB-01 INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-03 SIL-01 OMB-01 DOTE-00 STR-04

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R 010727Z NOV 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 4427

INFO AMCONSUL BRISBANE

AMCONSUL PERTH

AMCONSUL PORT MORESBY

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: EIND, ETRD, AS

SUBJ: FATE OF IAC REPORT ON RESTRUCTURING AUTO INDUSTRY

REF: A. CANBERRA 6968 NOTAL B. CANBERRA 6860 NOTAL C. CANBERRA
A-161

1. DESPITE RECENT PRESS SPECULATION THAT REPORT ISSUED LAST JULY
BY INDUSTRIES ASSISTANCE COMMISSION (REF C) HAS DEFINITELY BEEN
KILLED, GOA STILL HAS NOT MADE FINAL DECISION ON IAC RECOMMEND-
ATIONS FOR RESTRUCTURING PASSENGER AUTO INDUSTRY TO IMPROVE SCALE
ECONOMIES AND EFFICIENCY. MEANWHILE, ACTU PRESIDENT HAWKE AND OTHERS
CONTINUE TO CALL FOR RESTRAINTS ON AUTO IMPORTS AND PROTECTION
OF INDUSTRY JOBS (REFS A AND B). EMBASSY OFFICER DISCUSSED SITUATION
OCTOBER 31 WITH MCMAHON, ASSISTANT SECRETARY, DEPARTMENT OF
MANUFACTURING INDUSTRY, WHO HAS PARTICIPATED IN GOA INTERDEPART-
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PAGE 02 CANBER 07197 010905Z

MENTAL COMMITTEE (IDC) EVALUATION OF REPORT AND ITS PROBABLE

RAMIFICATIONS.

2. MCMAHON SAYS THAT IDC STILL CONSIDERING REPORT AND EXPECTS TO SEND ITS COMMENTS AND RECOMMENDATIONS TO MINISTERS BY MID-NOVEMBER. GOA SHOULD MAKE PUBLIC ITS DECISION ON PASSENGER VEHICLE INDUSTRY FUTURE BY MID-DECEMBER. (IAC'S SEPARATE REPORT ON COMMERCIAL VEHICLES, RELEASED OCT. 31, REPORTED SEPTTEL.)

3. LABOR PARTY CAUCUS IS STILL DEBATING IAC PASSENGER AUTO REPORT, MCMAHON CONFIRMS, BUT IT SEEMS CLEAR GOA WILL NOT IMPLEMENT MAIN IAC RECOMMENDATIONS. MOST LIKELY FINAL OUTCOME, HE SAYS, IS VARIANT OF PRESENT LOCAL CONTENT SCHEMES, WHICH REPORT RECOMMENDS BE ABOLISHED AND REPLACED BY FLAT TARIFF. ANY NEW LOCAL CONTENT PROGRAMS WOULD PROBABLY BE MORE FLEXIBLE, WITH LOWER LEVELS OF MINIMUM LOCAL CONTENT THAN AT PRESENT, BUT MCMAHON SAY VIT IS STILL TOO EARLY TO PREDICT FINAL DETAILS.

4. HAWKE HAS PROPOSED VARIABLE TARIFF SCHEME WHICH WOULD INCREASE PROTECTION AS MARKET SHARE HELD UP FULLY BUILT UP IMPORTS RISES ABOVE CERTAIN TRIGGER POINT. MCMAHON SAYS HAWKE PROPOSAL NOT IN WRITING AND EXACT DETAILS UNCLEAR. HOWEVER, MCMAHON VOLUNTEERED THAT IDC IS NOW LEANING TOWARD VARIABLE TARIFF IDEA AS IT DRAFTS ITS RECOMMENDATIONS. MEANWHILE, BLIZZARD OF PROPOSALS AND DEMANDS FROM UNIONS, COMPANIES, STATE GOVERNMENTS AND OTHERS CONTINUES.

5. EMBASSY COMMENT: MCMAHON'S COMMENTS CONFIRM OUR IMPRESSION THAT IAC REPORT WILL NOT BE IMPLEMENTED IN RECOGNIZABLE FORM. RISING UNEMPLOYMENT AND GREATLY INCREASED AUTO IMPORTS PLUS RECENT DEMISE OF LEYLAND AS FOURTH FULL-SCALE LOCAL MANUFACTURER HAVE STOKED PROTECTIONIST FIRES. PRIME MINISTER WHITLAM'S PUBLIC REMINDERS THAT AUSTRALIA MUST BUY FROM AS WELL AS SELL TO JAPAN, WITH WHICH IT HAS SUBSTANTIAL TRADE SURPLUS AND FROM WHICH MOST OF ITS CAR IMPORTS COME, SEEM TO HAVE HAD NO EFFECT IN DAMPENING DEMANDS FOR INCREASED BARRIERS TO AUTO IMPORTS.
GREEN

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